

Investment 2H 2023

	YoY Chg	12-Mo. Forecast
\$3.5B Total Volume (USD)	▼	▲
88 Total Properties Sold*	▼	▲
9.3 MSF Total SF (Excluding MF)	▼	▲
2,737 Total Units (MF)	▼	▲

* Closed transactions over \$10 million
(All Property Classes)
MF = Multi-family
Source: Real Capital Analytics

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
4.14M Bay Area Employment	▲	▲
3.7% Bay Area Unemployment Rate	▲	▼
3.7% U.S. Unemployment Rate	▲	▲
4.44% U.S. 10-Yr Treasury Yield	▲	▼

Source: BLS, Moody's Analytics
2023Q4 data are based on latest available data.

ECONOMIC OVERVIEW: Tech Layoffs and Market Volatility Continue

Though more resilient than other markets nationally, the Bay Area has begun to show signs of an economic downturn. Mass layoffs from tech companies in the Bay Area have caused tenants and landlords to pause and reassess. Despite pessimism throughout the second half of 2023, there was an increase of 51,600 jobs year-over-year in the fourth quarter for a growth rate of 1.3%. The Bay Area is on par with the United States nationally, with both having a 3.7% unemployment rate at the end of the year, though both figures are likely to increase in 2024. Market volatility caused by inflation, rising interest rates, and labor shortages has continued to shake the investment market. As a result, most investors have hit the pause button even though they have an abundance of capital for opportunities.

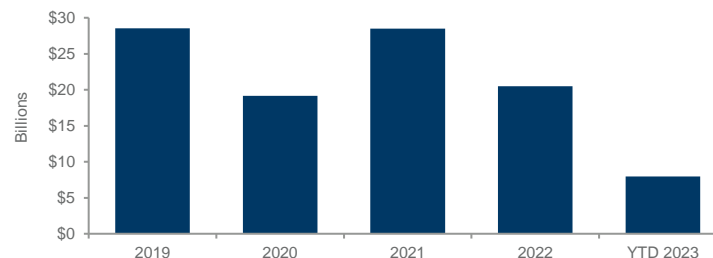
INVESTMENT OVERVIEW: Interest Rates Rise; Industrial and MF Investments Strong

The Bay Area investment market had a significant slowdown and recorded approximately \$3.5 billion in total sales in the second half of 2023, bringing the year-to-date (YTD) figure to \$7.9 billion. This is a dramatic 61.1% decrease from the 2022 annual volume of \$20.5 billion. Sales traded in the last 6 months of the year included 88 properties, down from 93 in the first half of 2023, and 180 in the second half of 2022. The rising cost of capital and massive tech layoffs both notably impacted investor interest with buyers and sellers putting a pause on transactions. This resulted in a significant decrease in value of property sales compared to 2021, and this was especially true for office properties. However, investor interest remained strong in the industrial and multi-family sectors as demand from tenants remained stable in the San Francisco Bay Area.

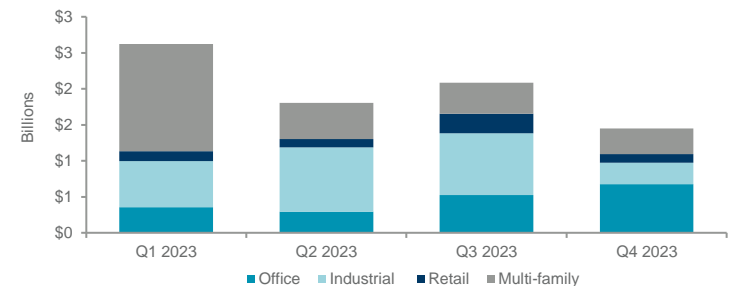
Given lower tenant demand throughout the market, investor preference has shifted towards stabilized properties rather than pursuing riskier returns on value-add opportunities. Office product in the Bay Area had a total of 41 transactions in 2023, compared to 160 in 2021. Though office has seen a decline in activity from both investors and lenders as the work-from-home phenomenon in the Bay Area continues, the few deals that transacted in 2023 have mainly been for long term, single tenant credit NNN deals.

Retail cap rates remained high throughout the pandemic and was at 6.7% in the second half of 2023 and continued to be well above their pre-pandemic levels of roughly 5%. In the face of persistent inflation and unclear demand for office and retail use, multi-family and industrial assets continued to see activity. The slowdown of investment flows was expected. As interest rates and cost of capital increased from historic lows at the end of 2021 to the recent highs starting in the second half of 2022, buyers have adjusted their underwriting returns at values that the majority of sellers are unwilling to accept at this point. There has been a pronounced decline from foreign investments, which fell from \$3.8 billion annually in 2021 to \$95 million in 2023. Debt for office product has been a challenge for investors and lenders, especially for vacant office or speculative office projects. Investment activity is projected to remain slow despite the anticipated easing of interest rates by the Fed throughout 2024. As rates begin to stabilize, investors are expected to come off the sidelines and take advantage of more opportunities across the market.

INVESTMENT SALES VOLUME



INVESTMENT SALES VOLUME BY SECTOR



MARKETBEAT SF BAY AREA



Investment 2H 2023

INVESTMENT ACTIVITY

PROPERTY TYPE	PROPERTIES SOLD	SALES VOLUME (USD)	TOTAL SOLD	PRICE / SF, UNIT
Office	27	\$1,204,753,751	4,704,033 SF	\$256
Multi-family	19	\$784,634,400	2,737 Units	\$286,677
Industrial*	28	\$1,156,292,294	3,461,767 SF	\$334
Retail	14	\$391,756,381	1,105,509 SF	\$354
TOTAL	88	\$3,537,436,827	9,271,309	\$382**

*Includes R&D and Data Centers

**Total Sold & Price/SF excludes Multi-family

SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	TOTAL SF / UNITS	PURCHASE PRICE	PRICE / UNIT (\$ PSF)	MARKET
Oaks Logistics Center	Industrial	Westcore	MEPT/BentallGreenOak	1,298,207	\$326,750,000	\$252	Livermore
Lam Research Fremont	Industrial	Lam Research	BNP Paribas	596,743	\$195,800,000	\$328	Fremont
SanDisk	Office	Blue Owl Capital	SanDisk	580,322	\$192,450,000	\$332	Milpitas
Kifer Road	Office	Intuitive Surgical	Bayview Development Group	329,397	\$157,000,000	\$477	Santa Clara
Clipper Court Commerce Center	Industrial	CIP Real Estate	BKM Capital/Canyon Partners	294,305	\$103,500,000	\$352	Fremont

*SF includes office, industrial and retail. Unit calculation for apartment only

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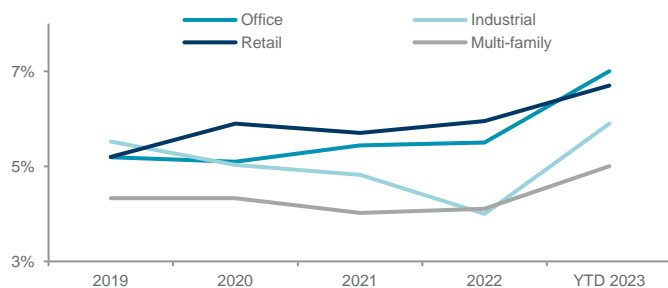
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CAP RATE TREND



TOTAL ACQUISITIONS BY CAPITAL SECTOR

